

Georgia Tech Foundation, Inc.
Minutes of the Meeting of the Board of Trustees
December 7 - 8, 2006

The Board of Trustees of Georgia Tech Foundation, Inc. met at 3:00 p.m. on December 8, 2006 in the College of Management LeCraw Auditorium. Elected Trustees present were: Robert A. Anclien, C. Garrett Betty, G. Niles Bolton, James W. Bowyer, Charles R. Brown, Kenneth G. Byers Jr., J. Randall Carroll, Steve W. Chaddick, A. Russell Chandler III, Marcus J. Dash, Kathleen Day, H. Allen Ecker, Jack J. Faussemagne, L. Thomas Gay, Geoffrey C. Gill, George C. Guynn, Lawrence P. Huang, Gary T. Jones, John S. Markwalter Jr., David M. McKenney, Charles D. Moseley, H. Ronald Nash Jr., Sheryl S. Prucka, Joe W. Rogers Jr., Earl L. Shell Jr., Francis N. Spears, E. Roe Stamps IV, John C. Staton Jr., J. Leland Strange, Albert S. Thornton Jr., William J. Todd, Alfred P. West Jr. and Janice N. Wittschiebe. Board Officers present were: Don L. Chapman, Hubert L. Harris Jr., Aaron J. Land Jr. and Lawton M. Nease III. Corporate Officers present were: John B. Carter Jr. and Mark W. Long. Ex-officio voting Trustees present were: G. Wayne Clough, J. William Goodhew III and C. Meade Sutterfield. Ex-officio non-voting Trustees present were: Barrett H. Carson, Gary B. Schuster and Robert K. Thompson. Trustees Emeriti present were: John E. Aderhold, Bobby Joe Anderson, Joel H. Cowan, Alvin M. Ferst Jr., Jere W. Goldsmith IV, Thomas L. Gossage, J. Thomas Gresham, Thomas H. Hall III, Julian LeCraw Sr., Wade T. Mitchell, J. Frank Smith Jr., H. Hammond Stith Jr., Richard J. Taylor, Thomas W. Ventulett III, and John H. Weitnauer Jr. Others present were: Sue Ann Bidstrup Allen, Jean Ballenger, Michael A. Condon, Brittany Copeland, Sarah Ann Eby-Ebersole, Leslie M. Evans, Carol K. Gue, H. Wayne Hodges, Joseph P. Irwin Jr., Richard S. Kraich, Michael Kraus, William Santana Li, Khamsy Patrick Liu, Joanne LeCraw, P.J. Lynn, Susan E. Maxwell, Milford McGuirt, Jerome T. Posatko, Dan Radakovich Jr., Trevor J. Rodderham, Stacey D. Stephens, Steven G. Swant, Tina Turner, Michael Whelan, Patricia H. Wichmann and Dorcas G. Wilkinson.

Georgia Tech Presentation: Dr. Clough stated that the annual report for the Institute has been distributed to each trustee. He reported that a student-led initiative promoting inter-campus dialog was a huge success. The keynote speaker for the initiative, named "Finding Common Ground", was Maya Angelou. Four faculty members have been named AAAS Fellows this year: Evans N. Harrell, Boris Mizaikoff, Nancy Nersessian and Z.L. Wang. Robert Braun has been tapped as a fellow of the American Institute of Aeronautics and Astronautics. Georgia Tech's expanding medical research field has launched new projects: Tech has created a joint center with the Shepherd Center to develop wireless technologies for people with disabilities and the Center for Pediatric Outcomes and Quality has joined with Children's Healthcare of Atlanta to seek innovative solutions to the challenges of pediatric care. In addition, three national centers of excellence in nano-medicine will be established at Georgia Tech within two years: Cardiovascular Disease, Cancer and DNA/RNA. Dr. Clough reported that Georgia Tech has been recognized for its biotechnology transfer: Georgia Tech is the

fourth leading university in start-up companies, eighth in number of patents filed and eleventh in technology transfer. He also stated that the Institute has placed a new emphasis on energy related research, including the Strategic Energy Initiative. Georgia Tech was honored by being named to the President's Higher Education Community Service Honor Roll in recognition of its service to the surrounding neighborhoods and the Gulf Coast area. In other honors, the Institute has been listed among the 15 best academic places to work, and it is among the top five engineering schools for Hispanics. The total funds raised during the Campaign now totals \$318 million. Dr. Clough reported that new facilities will be added to the campus, including the Marcus Nanotechnology Building, the Undergraduate Learning Center, the Bio-Z Building and new Athletic facilities. Another important imperative is Tech's need-based scholarships. Other public universities have programs in place to meet their students' needs, with some meeting 100% of the demonstrated financial need. Dr. Clough then introduced Mr. Dan Radakovich, Director of Athletics.

Georgia Tech Athletic Association Presentation: Mr. Radakovich stated that Georgia Tech played its first football game in 1892. Georgia Tech has had 15 Conference Championships and 34 Bowl games with 22 Bowl wins. The first men's basketball game was played in 1906. Georgia Tech has had 14 NCAA Tournament berths, seven NCAA Sweet 16 appearances, two Final Four appearances and three ACC Championships. 375 student-athletes participate in 17 different sports. In 2006, an average of 8,500 students attended each football game, which was more than half the student body. Mr. Radakovich stated that in order to remain a financially viable part of the Institute, Georgia Tech athletics must create sustainable and constant streams of revenue to solidify the financial future of Athletics. Mr. Radakovich discussed the current financial situation. Rising athletic costs and increased debt have created numerous challenges for the Athletic Association. Mr. Radakovich discussed proposed changes in athletic fundraising encouraging gifts from those who purchase season tickets in football and basketball. These changes, which many other public and private universities have adopted, would allow the Athletic Association to increase revenue considerably, helping it to continue to provide quality sports to Tech for years to come.

Meeting Adjourned/Reconvened: There being no further business, the meeting adjourned at approximately 4:30 p.m. on Thursday, December 7 and reconvened at 8:30 a.m. on Friday, December 8.

Welcome and Introduction of Guests: Mr. Chapman welcomed everyone to the 515th meeting of the Board of Trustees. He introduced Reverend Mike Whelan.

Baptist Collegiate Ministries Presentation: Reverend Whelan explained that this is his 30th year working with students. He represents the Baptist Collegiate Ministry (BCM) on campus. He stated that his role as a role model and facilitator has allowed him to have a unique perspective on students' lives. His motto states, "It's not what we do but what we are becoming." Rev. Whelan discussed the Beloit College Mindset List, which allows university administrators to better understand the incoming freshman Class of 2010. Most of them were born in 1988. They have only known two presidents. The

Soviet Union has never existed. Text messaging is their email. Rev. Whelan must always keep these things in mind as he relates to the students. This year, 60 students from the BCM celebrated an early Christmas with inner city Atlanta kids. They have also sent many students to assist with Katrina cleanup. The number one and number two struggles on campus are loneliness and alcohol abuse. He tries to build future leaders with character. Friendships and partnerships the students create now will influence them for the rest of their lives. He encourages the BCM students to discover their life's purpose, or legacy. This requires discipline and direction.

ATDC Presentation: Mr. H. Wayne Hodges, Vice Provost for the Enterprise Innovation Institute and the Director of the Advanced Technology Development Center (ATDC), stated that the function of ATDC was to provide commercialization of technology. He commented that ATDC represents a breadth of economic development, with lots of diversity. Tech has tied in 2nd place with Stanford University for the most new companies produced by a university. Mr. Hodges introduced Mr. William Santana Li.

Mr. Li is Chairman and Chief Executive Officer of the Carbon Motors Corporation. Carbon Motors is a new company that focuses on creating the world's first purpose-built law enforcement vehicle. This new concept will have a ready market for several reasons: Homeland Security is a new top priority for the government; the auto industry is in disarray; and the country is facing an energy crisis. Mr. Li and Mr. Trent Rodderham reviewed aspects of the vehicle. Mr. Li stated that possible future plans for the Carbon Motors Atlanta location would include sponsoring the Georgia Tech School of Automotive Engineering. He stated that Atlanta is a great location for an American-based car company. Carbon Motors would distribute directly to the consumer from their plant in Metro Atlanta. The production center will cost \$300 million to build. Carbon Motors will have an estimated \$3 billion economic impact for Georgia's economy, with 10,000 new associated jobs.

Alumni Association Update: Ms. Wittschiebe stated that the Association is full of action and intent on promoting its mission. They focus on the value of education. The Association builds relationships by focusing on fundraising, engagement, communications and data acquisition and management. Attendance at the homecoming events and family weekend activities increased over prior years. To date, the Roll Call has 18,000 donors with contributions totaling \$3.6 million. Ms. Wittschiebe remarked that there are many challenges for the years ahead, including the growing diversity of the student and alumni bases and educational experiences. In addition, the Association faces constant new or growing demands for things like career services, student and parent support programs, an improved database and establishing a regular alumni census. There are numerous legislative actions that will impact the effectiveness of the Association, including No Call lists and privacy and security concerns.

Approval of Minutes: Mr. Chapman stated that copies of the minutes of the meeting of the Board held on September 14 and 15th had been distributed to the Trustees, and asked if there were any comments, suggestions or changes. On motion, the minutes were unanimously approved as distributed.

Treasurer's Report: Mr. Nease reported that as of October 31, assets totaled \$1.47 billion and liabilities totaled \$427 million. The net assets of the Foundation increased to \$1.04 billion. The unrestricted fund balance totaled \$148.5 million. The reserve totaled \$73.6 million. Gift income was \$14.0 million for the first four months of the fiscal year through October 31. Expenses for the four month period were \$34 million. The financial statements are attached hereto as Exhibit A.

Audit Committee Report: Mr. Dash stated that he was very pleased to present the audit report to the trustees. He thanked the members of the Audit Committee for their diligent work during the audit. He introduced Mr. Milford McGuirt, partner with KPMG, LLP, and reported that the Foundation received an unqualified opinion on its financial statements for fiscal year 2006. Mr. Dash reviewed the audit report and the financial statements, highlighting several items, such as lease receivable assets, and liabilities for the investments made for the Alexander-Tharpe Fund and the Institute of Paper Science and Technology (IPST). He stated that the alternative investment assets provided a significant issue for this year's audit, in that the American Institute of Certified Public Accountants (AICPA) issued guidance for auditors in July regarding auditing alternative investments. Alternative investments totaled approximately 29% of the Foundation's assets as of June 30, 2006. The auditors did not question the propriety of the Foundation's investment in alternative investments; but rather, they focused much of the audit effort in determining existence and valuation of those assets. The Foundation's alternative investments are composed of 48.8% publicly traded securities, 3.7% real estate, 7.2% timber, oil and gas assets, 30.4% in venture capital, LBO and private equities and 9.9% in distressed securities, bank loans and mezzanine debt. Some asset managers are reluctant to disclose proprietary information and some assets are difficult to value. The Foundation will continue to improve its procedures and its documentation processes. Other universities are dealing with this same issue. It remains to be seen how investment managers, the AGB, and audit firms will react to this new audit requirement. Mr. Dash reported that Mr. Faussemagne will be the chair of the Audit Committee for the next audit cycle.

Development Committee Report: Mr. Jones reported that Roll Call is undergoing a best practice review. The Campaign 2010 currently totals \$318 million. The targets for December 2006 through June 2007 are very aggressive. One of the goals of Campaign at this stage is to encourage "transformational" gifts.

Finance Committee: Mr. Moseley reported that spending is within the budget amounts. He stated that Georgia Tech Foundation Funding Corporation (GTFFC) loan balance, including commitments is \$47.5 million and that \$12.3 million is available. The Committee goal is to recommend an income allocation 5.00% for fiscal year 2008. The Committee is also exploring the possibility of a reduction in endowment fees.

Investments Committee: Mr. Huang reported that the assets in the investment pool increased to \$1.15 billion as of September 30, 2006. The investment in U.S. Large Cap, U.S. Small/Mid Cap and Global Equities were above their targets. The Foundation's investment return for the quarter and for the past year was 2.7% and 11.8%, respectively. The investment return for the policy portfolio for the same periods was 4.5% and 10.1%, respectively. For the past year, through September 30, 2006, the investment return for distressed debt was 22.7% and real estate was 22.2%. Mr. Huang noted that the Committee had invested in five new investments.

Real Estate Committee: Ms. Wittschiebe reported that the Board of Regents had completed its acquisition of the Eye Clinic property. Dr. Clough and his staff will be temporarily moving into the property while the Carnegie Building is being renovated. The Vasser-Woolley property is still in litigation. To date, the Foundation has received more than five million dollars from the sale of the Vasser-Woolley property. The environmental report has been completed on the Atlantic Sheet Metal property, and closing is set for next year. The property will be transferred to the Board of Regents. The Foundation is serving as a facilitator in the closing of the Grizzard property. The Georgia Tech Hotel and Conference Center is doing very well, with occupancy levels at 70%.

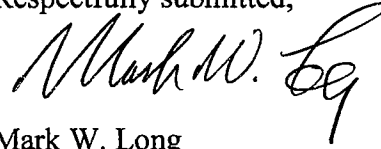
Stewardship Committee Report: Mr. Bolton reported that the Committee's visits with donors have gone well and have been positive. Often, the visits uncover issues and provide valuable feedback to the Office of Development and to the Foundation. This helps improve Tech's communications with its donors. He announced that the annual endowment letters have been mailed. They function to help keep Tech donors engaged.

Chair's Report: Mr. Chapman stated that he would like to thank Dr. Jerome T. Posatko, the Foundation's Chief Information Officer, for his hard work and dedication to the Foundation. Dr. Posatko has accepted a position with George Washington University and will be moving to Washington, D.C. later this month. Mr. Chapman stated that one of Dr. Posatko's accomplishments was combining the various gift and biographical databases into one integrated system.

President's Report: Mr. Carter reported that the annual endowment letters have been mailed to donors and Mr. Carter has been receiving positive feedback from them. He reported that nomination forms had been distributed to the trustees and asked for nominations to serve on the Foundation Board. The book on the Foundation's history has been completed and is now being edited. The Foundation will celebrate its 75th year since its founding in 2007. Mr. Carter reported that the annual report may be found on the web.

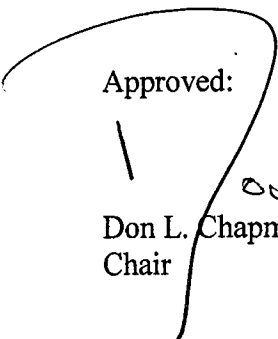
Meeting Adjourned: There being no further business, the meeting was adjourned and the trustees met in executive session.

Respectfully submitted,



Mark W. Long
Secretary

Approved:



Don L. Chapman
Chair



GEORGIA TECH FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2006

Exhibit A Page 1 of 2

(in thousands)

	October 31, 2006	October 31, 2005	October 31, 2004
ASSETS			
Cash and cash equivalents	\$10,724	\$9,411	\$7,549
Certificate of deposit	0	4,800	4,800
Construction and bond fund	0	0	1,644
Contributions receivable	28,137	11,124	11,785
Investments	1,185,606	1,022,139	880,110
Other assets	2,289	2,507	2,494
Notes and interest receivable	1,246	1,933	4,171
Lease receivable	171,744	175,409	178,901
Contributions receivable from remainder trusts	9,597	8,431	12,169
Charitable remainder trusts	13,706	6,568	5,867
Cash value of life insurance	2,639	2,502	2,405
Capital Assets, net of accumulated depreciation	40,333	42,322	44,187
	<u>\$1,466,021</u>	<u>\$1,287,146</u>	<u>\$1,156,082</u>
Total assets			
LIABILITIES			
Accounts payable	\$6,109	\$3,523	\$3,222
Commitments payable	9,722	11,208	13,585
Lines of credit	51,368	31,918	42,126
Note payable (NRCB)	18,230	0	0
Bonds Payable, net of discount	216,256	220,372	224,312
Due to life beneficiaries	9,752	5,478	5,133
Funds held on behalf of AT Fund	69,997	63,637	51,870
Revocable gift (IPST)	39,237	37,036	0
Other liabilities	7,160	6,812	6,433
	<u>427,831</u>	<u>379,984</u>	<u>346,681</u>
Total liabilities			
NET ASSETS	\$1,038,190	\$907,162	\$809,401
Total liabilities and net assets	<u>\$1,466,021</u>	<u>\$1,287,146</u>	<u>\$1,156,082</u>
Unrestricted Fund Balance	\$148,500	\$128,700	\$117,500
Unrestricted Fund Reserve	\$73,600	\$69,600	\$67,500

Treasurer's Report:
Board Meeting, 12/8/06
Prepared by mwl

GEORGIA TECH FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE FOUR MONTH PERIODS ENDED
OCTOBER 31, 2006, 2005 AND 2004

(in thousands)

	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total 10/31/06	4 months through 10/31/05	4 months through 10/31/04
Revenue						
Gift income	\$1,349	\$7,770	\$4,893	\$14,012	\$11,475	\$9,048
Lease revenue	6,377	113	0	6,490	6,458	6,658
Interest and dividends (net of fees)	1,230	1,010	16	2,256	2,762	2,707
Net realized/unrealized gain (loss) on investments	24,837	22,250	4,936	52,022	20,571	4,476
Actuarial gain (loss) on trusts and annuities	0	251	12	264	172	0
Other	185	93	4	282	120	335
Net assets released from restrictions	16,116	(16,116)	0	0	0	0
Total revenues	\$50,094	\$15,371	\$9,861	\$75,326	\$41,558	\$23,224
Expenses						
Program services	\$23,656			\$23,656	\$18,730	\$17,638
Alumni Association	2,002			2,002	1,925	1,800
General and administrative	1,637			1,637	1,312	1,295
Interest expense	4,927			4,927	4,496	4,125
Fund raising	1,297			1,297	1,014	1,263
Depreciation Expense	573			573	524	520
Total expenses	34,092	0	0	34,092	28,001	26,641
Changes in net assets	\$16,002	\$15,371	\$9,861	\$41,234	\$13,557	(\$3,417)
Net assets, beginning of period	\$352,526	\$326,444	\$317,987	\$996,956	\$893,605	\$812,818
Net assets, end of period	\$368,528	\$341,815	\$327,848	\$1,038,190	\$907,162	\$809,401